

January 6, 2022

To: Economic and Revenue Forecast Council

From: State Budget Outlook Work Group

Subject: Preparation of the Governor's 2022 Supplemental Operating Budget Outlook

The State Budget Outlook Work Group (work group) poses the following issue for the Economic and Revenue Forecast Council (ERFC) to provide guidance in the preparation of the Outlook for the proposed Governor's 2022 Supplemental Operating Budget.

- 1. 4.5% Additional Revenue Assumption.** Per chapter 43.88.055 RCW, forecasted revenue for the ensuing biennium for purposes of an outlook, prior to adjustment for enacted legislation, are the greater of: "(i) the official general fund and related funds revenue forecast for the ensuing biennium, or (ii) the official general fund and related funds forecast for the second fiscal year of the current fiscal biennium, increased by 4.5 percent for each fiscal year of the ensuing biennium".

Based on the November 2021 revenue forecast, forecasted revenue growth is less than 4.5% per year in the 2023-25 biennium. Therefore, the Governor's 2022 Supplemental Operating Budget Proposal assumed the 4.5% increase for the Outlook corresponding to the published Governor's budget. This approach is consistent with current law and increases the estimated ending fund balance for the 2023-25 biennium by \$737 million. This approach differs from the most recent ERFC adopted 2021-23 Omnibus Operating Budget Outlook that was published in June 2021. This outlook, pursuant to direction from the ERFC during the June 3rd Outlook Methodology meeting, assumed the March 2021 revenue forecast for the 2023-25 biennium instead of the additional 4.5% revenue growth, reducing the estimated ending fund balance for the 2023-25 biennium by \$1.4 billion.

Question 1: Does the ERFC want the estimates for ensuing biennium revenues for the Governor's Budget Outlook being prepared by the work group to assume the additional \$737 million in revenues consistent with chapter 43.88.055 RCW or exclude the additional \$737 million in revenues consistent with the decision that was made for the most recent Enacted Budget Outlook?